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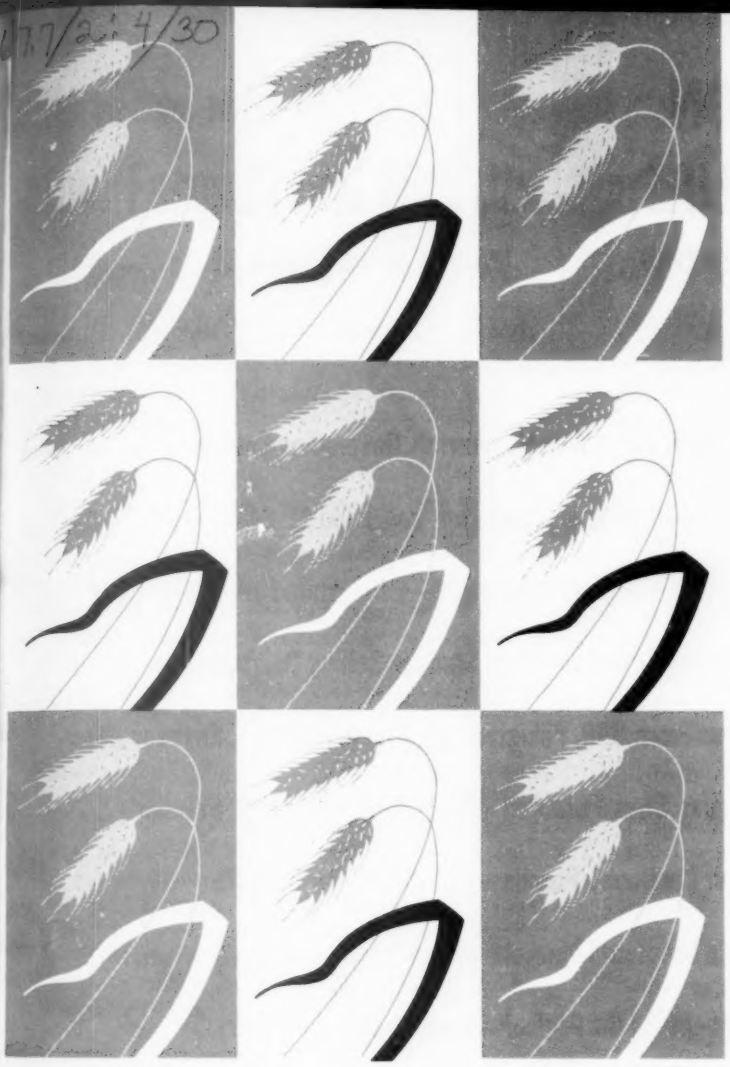

JULY 25, 1966

OUR FARM TRADE WITH
THE DEVELOPING COUNTRIES

1966 WORLD WHEAT PICTURE

SELLING TURKEYS OVERSEAS

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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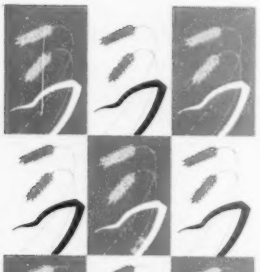

Wheat is featured on the cover of this week's issue and on pages 6 and 7 where a series of charts highlight the shifts in the world grain trade and the shrinkage in wheat and feedgrain stocks.

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A look into the future of

Our Farm Trade With the World's Developing Countries

U.S. farm exports now go to these countries under government programs but the market is a sleeping giant that could awaken to great potential.

By DOROTHY H. JACOBSON
Assistant Secretary for International Affairs, USDA

Developing nations are those countries that are far behind the highly developed nations of the West in most of the elements that characterize 20th century civilization. They include some two-thirds of the world population.

Most of these nations—in fact, about half the nations of the world—have become independent only since the end of World War II. Their governments are often unstable. They are uncertain about the kind of economic systems they want. And the great majority of their people lack what we regard as the bare essentials of decent living.

Yet these developing nations are of utmost importance to us today. They contain 2 billion of the earth's 3 billion people. They are aware of the growing gap between their levels of income and those of highly developed nations. Their people are stirred by what has been called a revolution of rising expectations. It may well be that the course of history in the century just ahead will be determined largely by whether these nations can move toward modern industrial civilization without violent revolution and in the framework of freedom.

Could be world's biggest market

A long-range view reveals that the largest potential market in the world lies now in the less developed nations. That market is a sleeping giant, with an almost endless capacity to consume. The people are there, and their numbers are increasing with tremendous rapidity. The unmet needs of these billions of people—their needs for food, for clothing, for every product of modern industry—far exceed the needs of the highly developed world. But this sleeping giant will awaken only when economic growth brings higher incomes and greater buying power.

The correlation between our commercial exports of agricultural commodities and the income levels of the countries that import those commodities is very high. To those Asian and African countries where per capita incomes are around $100 per year, our commercial exports of farm commodities average about 25 cents per person per year. In contrast, our agricultural exports to Japan, where annual per capita incomes have risen above $575, have reached over $6.00 per person per year.

Other figures show how our agricultural exports increase to those developing nations that have made substantial progress. Our cash exports of farm products to Greece, for example, increased by 16 times in the period from 1961 to 1965 over the 1955-59 period, and during that time Greece increased its per capita income average by some 50 percent. Our exports of farm products to Taiwan, in those two comparable periods, increased by 13 times, while per capita incomes went up over 60 percent. In Spain our exports increased by ten times as per capita incomes went up about 30 percent.

One further statistical point. The developing world is a hungry world. Food deficits are so serious that, on the average, diets are 10 percent below minimum caloric standards. And as incomes improve, the first and most insistent demand is for food. Studies of developing nations show that as economies rise by 10 percent, commercial imports in general rise by about 11 percent, but commercial imports of food rise about 16 percent.

Agricultural development essential

There are many roadblocks to trade in the developing nations but the greatest one is their lack of ability to pay. If we would develop that market we must direct our attention toward encouraging economic growth and higher income levels in those nations. We should seek programs and policies that stimulate rapid development in every sector of their economic life. And special effort must be directed toward their agricultural development, which has been neglected far too long.

This agricultural neglect has seriously retarded overall economic progress in most of the developing nations. Obviously, average national incomes cannot be expected to rise very much unless the level of living and the incomes of these huge rural majorities can also rise. Thus, paradoxical as it may seem, we must help the farmers of developing nations to improve their own agriculture if we would transform them into better cash customers for our farm products.

This is one of the principles that is built into the Food for Freedom program which the Administration is proposing and which is before the Congress now. In the near future—the years immediately ahead—most of our agricultural exports to these countries will continue to be on concessional terms, as they have been for the past 11 years under Public Law 480. But the core of the Food for Freedom program is to encourage agricultural progress in the developing countries, and as it succeeds in stimulating their self-help efforts, as it helps to encourage economic growth and higher incomes, it will hasten the day when our concessional exports will fall and our commercial exports rise.

Food for Freedom follows new lines

This new Food for Freedom program builds on the many successful aspects of our Food for Peace program under Public Law 480, through which most of our agricultural exports to developing nations now move. Yet it is a new program in at least two important ways. The new features are called for by changing conditions both in the United States and in the world.

The first has to do with our food aid programs as a constructive outlet for surplus agricultural commodities produced in the United States. At the present time our flexible farm programs, directed toward gearing our production to amounts that can be used, have become successful enough so that our surpluses are rapidly dwindling. Obviously, then, our food aid program can no longer be geared to surpluses.

The second change that has come upon the world, one that has come to the fore only in the past decade, is a phenomenal acceleration of population growth in the developing areas.

From the beginnings of history up to about the 16th century, the world population increased at a rate of something like 2 percent a century. In the last few years the rate of increase has exceeded 2 percent a year.

Forecasts of growth in the years ahead vary. But all of those who have considered current trends in both population and food production agree that, if present trends continue, sometime within the next two decades the world will see famines of unprecedented proportions. We have had serious famines before, but never as serious as those that are predicted now. We have had famines before when millions died, but we have never had any when hundreds of millions died.

Lower death rates the cause

This food-population problem has come upon us suddenly. Its basic cause is not an increase in birth rates, but rather death rates decreasing more sharply than ever before in history, because of advances in public health.

When the anti-malaria campaign began in India some 11 years ago, India reported 10 million cases of malaria and 1 million deaths. Last year it reported 70,000 cases and no deaths. The death rate in Ceylon decreased by 40 percent in 1 year because of the use of DDT. Today millions of people, whose lives have been saved by scientific advances applied in the health field, are threatened by hunger because corresponding advances have not been made in the field of food production.

With agricultural surpluses dwindling, with the need for food increasing in the less developed world, and with Public Law 480 expiring at the end of this year, the Administration studied the kind of program called for in the years ahead.

It was first suggested by many outside the government that we abandon restrictions on agricultural production, and use the greater surpluses thus produced in an expanded food aid program. We proceeded to examine what would be likely to happen if this course were followed.

Future food needs estimated

We studied estimated food needs for the next 15 or 20 years of the 66 countries to which we now provide food aid. What would happen if their population continued to grow at the current rate and if they continued to increase their own agricultural production at the rate prevailing over the past 10 years? How much food would they need, over and above that which they would produce themselves?

In answering the questions we varied slightly from current trends in food consumption. Average diets in the recipient nations are now 10 percent below standards essential for heath. They are improving at the rate of one-third of 1 percent a year, but at this rate it would take them 30 years to achieve minimum adequate diets.

That rate of improvement is not acceptable in today's world. We chose to calculate needs in terms of a rate of improvement under which diets could reach minimum standards in 10 years—a caloric increase of 1 percent a year. We then estimated how much food aid would be needed to make up the difference between their food needs and the amounts they would produce. By 1970, the aid-recipient countries, which received 18.5 million tons last year, would need 25 million tons. By 1975 they would need 42 million tons. By 1980, 62 million tons.

If output restrictions were removed

What could we produce for this purpose if we restored to production some 50 million acres now withdrawn from grain production in the United States?

By 1970, assuming these 50 million acres would be back in production, we could produce some 69 million tons in excess of domestic needs and increasing commercial exports. True, this would be more feed grains than wheat, but we would have 69 million tons to meet a need of 25 million. We'd be back in a surplus situation by 1970.

By 1975 the needs of recipient countries would have gone up to 42 million. Our production, increasing more slowly after 1970 because of increasing yields on the same acres, would amount to some 72 million tons in excess of domestic needs and commercial exports. This would still be 30 million tons above what the hungry nations could use.

Continuing our projections, by 1980 the 66 countries would need 66 million tons, and we would have some 78 million available, still 12 million in excess of their needs. But the gap is narrowing. By 1985, under these assumptions, the 66 hungry countries would require 88 million tons, and we would have only 76 million tons. By that time, as the President said in his message on Food for Freedom, the production from all of the productive acres of all of the agriculturally advanced nations in the world would not be enough to supply the bare food essentials of the hungry nations. By 1985, then, the predictions of famine could come true—if present trends continue.

Present trends must, therefore, be changed. Population trends can be altered downward. Food production trends in the hungry nations will have to be altered upward as the only way to prevent the kind of disaster that would come if population won in the race with food supply.

Aid must not replace self-help

Putting all of our acres back into production could only postpone this disaster for a few years. But even in postponing the threat of famine it would make that threat more certain to materialize. Food aid from the United States in these amounts would permit developing nations to postpone and neglect essential steps to improve their own agriculture.

These countries face a tremendous task if they are to make enough progress in the next 20 years to meet their expanding needs for food. Most of them, and especially most of the heavily populated ones, have little new land they can economically put into production. They will have to expand their own production by expanding yields on acres now being cultivated—on acres such as those in India which have been cultivated for thousands of years.

The question is often raised as to whether the developing countries can succeed in improving their own agricultural

production rapidly enough to avoid serious crises.

Our economists have studied agricultural growth in 26 developing countries over the 15-year period between 1948 and 1963. During those 15 years, 12 of the 26 countries succeeded in increasing their agricultural production at a rate faster than 4 percent per year. This is a greater rate of increase than has ever been achieved by any of the agriculturally advanced nations for that long a period, including our own. Of course, they started from a lower base but they also had substantial handicaps.

An attempt was made to discover why 12 countries had been able to increase their agricultural production at a rate substantially above that achieved by the other 14.

Were the 12 better situated with regard to levels of literacy? Some of them were high, but some were among the most illiterate. Did they all adopt some kind of policy of land reform, or any other particular program that might be regarded as very effective in increasing agricultural production? They had many different kinds of land tenure systems, but there was no consistent pattern to be found. Did they all benefit from favorable climatic conditions? No. Some were in the tropics, some in temperate zones.

There was only one factor that these 12 countries seemed to have in common that enabled them to achieve that progress—a national determination and will to do something about the agricultural sector in their economy, and to adopt policies and to allocate inputs, to give priority to programs that would be directed that way.

This study offers the hope that developing countries, backward as they may be, can improve their production. It will be difficult, and will take determination. Our Food for Freedom program has therefore been specifically geared to stimulate self-help in the production of food in the recipient countries. We hope to be able to do this effectively enough so that with more technical and capital assistance, and with help in planning government programs for accelerated agricultural progress, they will be able to turn the tide in their own productive efforts.

Dairy Highlights in Producing and Exporting Countries

Export sales of dairy products are going well in France, and are getting a boost in Germany. On this side of the Atlantic, Canada is forming a new dairy commission.

West German butter

The Federal Republic of Germany has applied to the European Economic Community Commission for authorization to subsidize the sale of 110 million pounds of cold storage butter now held by the Import and Storage Agency for Fats. The butter will be sold by this Agency as second-quality butter at a subsidized price, which is 13.6 cents per pound below first-quality product. Current wholesale price for first-quality "Markenbutter" is about 77 cents per pound.

The application also includes plans to offer about 4½ million pounds of storage butter for melting at a price reduction of 22.7 cents per pound. Sales under this program, expected to be made effective by the Commission on or about July 1, would continue through October.

In its request, the West German Government is bypassing EEC Regulation No. 28/66, which authorizes the sale of off-quality storage butter at world market prices. This presumably is because sale of butter on the domestic market at reduced prices will prove to be a more effective and cheaper method of reducing butter stocks. At the end of May, stocks totaled about 126 million pounds, up by about 22 million in the past year.

The planned price reduction of 13.6 cents per pound is substantially larger than the one authorized in last year's program, which amounted to 9.07 cents per pound on 112 million pounds and 6.8 cents per pound for an additional 20 million pounds.

Canadian dairy commission

Canada's Parliament passed a bill late last month that will provide for a dairy commission—the federal dairy authority that milk producers were promised 3 years ago.

In introducing the bill, Minister of Agriculture J. J. Greene said that one of the commission's primary functions will be to coordinate marketing matters in cooperation with provincial agencies. While the Provinces are largely responsible for agricultural production and marketing controls, the commission will provide the federal authority needed when agricultural commodities cross inter-provincial or international boundaries.

The commission will also have the authority to administer the dairy support program, to promote dairy products, and to help develop the country's dairy industry.

French dairy exports

The French dairy industry has increased its foreign sales substantially since the first of the year. During January-March, butter exports rose by 79 percent, cheese exports by 24 percent, and condensed milk exports by 20 percent. Exports of whole milk powder nearly tripled; those of nonfat dry milk increased by some 15 times, and those of casein over 2½ times.

FRENCH DAIRY PRODUCT EXPORTS

Item	1964	1965	January-March 1965	January-March 1966
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
Butter	77.7	65.6	11.9	21.3
Cheese	128.4	141.7	31.6	39.2
Condensed milk	138.2	150.3	38.1	45.9
Full cream milk powder	19.7	17.7	3.1	9.2
Skimmed milk powder	88.5	155.7	8.3	128.4
Casein	46.8	30.7	3.8	10.1

During the same quarter, imports fell—particularly butter—resulting in an even greater net increase in exports. It should be pointed out, however, when comparing this period with the first quarter of 1965, that French milk production in 1964 was down as a result of the very dry summer. Despite this, the volume of first-quarter 1966 exports is considerable.

In the first 3 months of 1966 alone, France exported nearly as much nonfat dry milk as during all of 1965. In the face of declining exportable supplies from the United States, it became the world's largest exporter of nonfat dry milk; most of this went to Italy and the Netherlands.

Shifts in the world's grain trade and shrinkage in its carryover stocks of wheat and feedgrain are highlighted in the charts below.

The 1966 World Wheat Picture—Background and Perspective

Over the past 25-30 years the world grain trade pattern has changed dramatically. During the late 1930's the three dominant grain-exporting regions were North America, Latin America, and Eastern Europe (including the Soviet Union). Then, Latin America was the leading exporter.

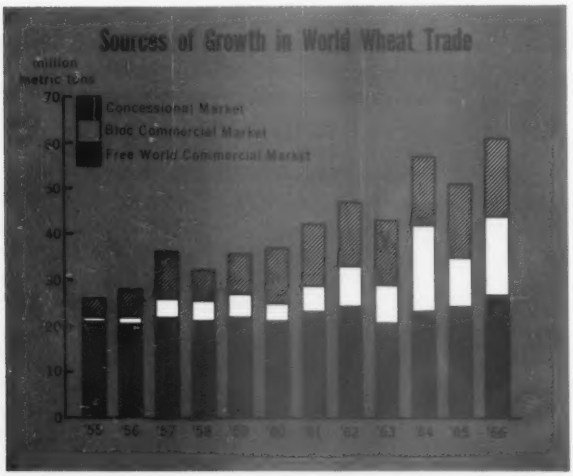
Latin America, plagued with runaway rates of population growth, has lost its large net export surplus of grain and is today scarcely self-sufficient. Imports into Brazil and other smaller countries largely offset exports from Argentina. Eastern Europe, once the breadbasket for all of Europe, now has a large import deficit.

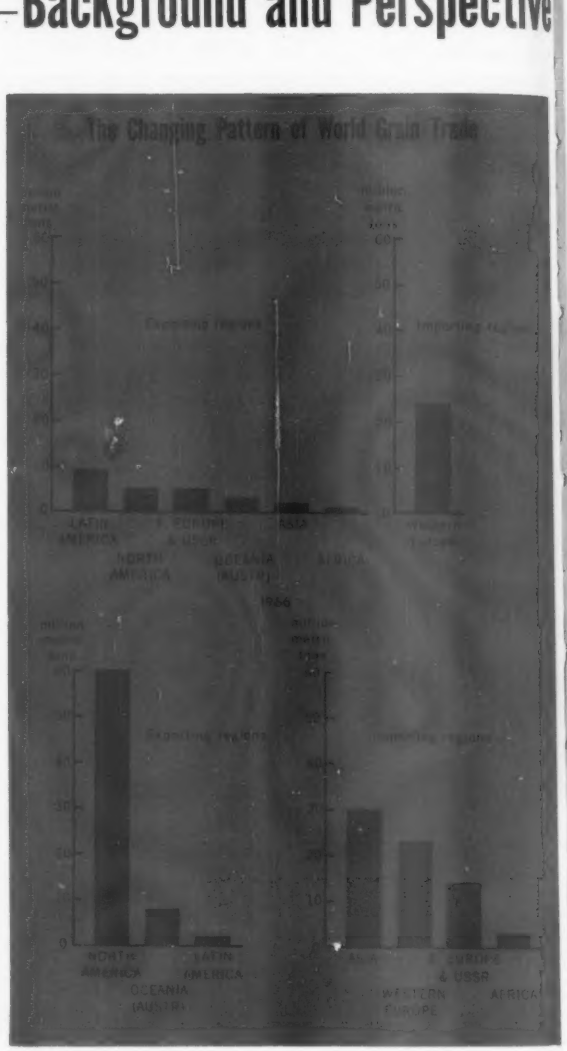
North America, exporting 5 million tons of grain yearly in the late 1930's, is expected to export 60 million tons of grain this year. Even more significant, North America could export consistently 100 million tons of grain annually if the world market were large enough. Three basic factors underlie these dramatic changes in the pattern of world grain trade: The agricultural revolution in North America, runaway population growth rates in the developing countries, and the near universal failure of the Socialist (Bloc) countries to develop viable agricultural sectors.

NET WORLD GRAIN TRADE, BY MAJOR REGIONS

Region	Average 1934-38	1960	1966 [1]
	Million metric tons	*Million metric tons*	*Million metric tons*
North America	+5	+39	+60
Latin America	+9	0	+2
Western Europe	—24	—25	—23
Eastern Europe (including the USSR)	+5	0	—14
Africa	+1	—2	—3
Oceania (Australia)	+3	+6	+8
Asia	+2	—16	—30

[1] Estimated.
Note: Plus = net exports; minus = net imports.





The world wheat market can, for analytical purposes, be divided into three markets.

The *Free World commercial market*, consisting of such traditional wheat importers as the United Kingdom, West Germany, and Japan, has been remarkably stable over the past 15 years.

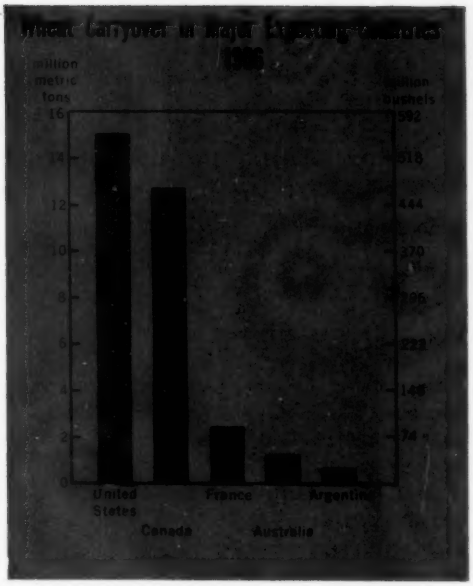
The *Bloc commercial market*, quite small through 1960, began to increase markedly in the early 1960's as Mainland China lost its position as a net grain exporter and became one of the world's leading importers. The Soviet Union, a ranking exporter in the late 1950's and early 1960's, became a large net importer in 1964.

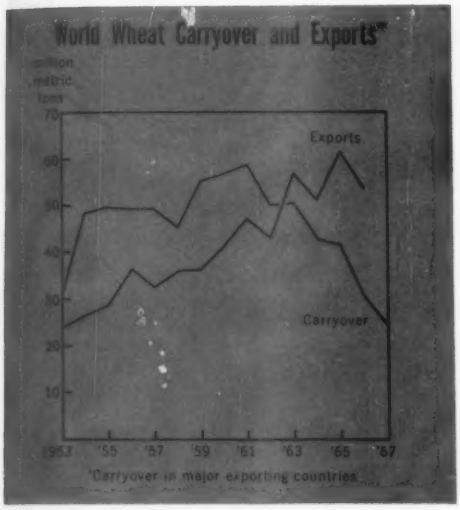
The *concessional wheat market*, consistently accounting for one-fourth to one-third of all wheat imports, is supplied almost entirely by the United States.

While carryover stocks in major exporting countries have been declining, falling from a high of 59 million metric tons in 1961 to 31 million tons this year, the level of world wheat exports has been trending sharply upward, more than doubling over the past 10 years.

Twice within the past decade, in 1957 and again in 1964, world wheat imports jumped by more than one-fourth above those of the preceding year. If a percentage increase of this magnitude should occur again at the present levels of trade, an abrupt increase of 15 million tons of exports would be needed. At present low levels of world reserves this would present some serious problems.

Another factor arguing for a higher level of world wheat reserves is the growing dependence of all the world's importing countries on one region, North America. Crops in both the United States and Canada are influenced by the same weather cycles.





Nearly all of the world's wheat reserves are held by the major exporting countries. Carryover stocks of wheat in these countries reached an alltime high of 59 million tons in 1961. This year they are expected to be down to 31 million tons, scarcely half the level of 5 years ago. At this time next year they are projected to be even lower, likely about 25 million tons.

Most of the drawdown has been concentrated in the United States and, to a lesser extent, Canada. Canada and France now have a combined carryover equal to that of the United States.

Both wheat and feedgrain carryover are down sharply from the highs reached in 1961.

As of 1966, wheat carryover, at 15 million tons, is about 10 percent below the desirable level. Feedgrain carryover, at 51 million short tons, is about 10 percent above the desirable level. This carryover presently consists largely of corn and grain sorghum, both consumed as food in each of the major less-developed regions.

U.S. WHEAT AND FEEDGRAIN CARRYOVER, 1955-66

Year	Wheat	Feedgrains	Total
	Million metric tons	*Million metric tons*	*Million metric tons*
1955	28.2	35.5	63.7
1956	28.1	39.2	67.3
1957	24.7	44.3	69.0
1958	24.0	53.5	77.5
1959	35.2	61.2	96.4
1960	35.8	68.6	104.4
1961	38.4	76.8	115.2
1962	36.0	65.1	101.1
1963	32.5	58.0	90.5
1964	24.5	62.3	86.8
1965	22.3	49.3	71.6
1966	15.1	(46.3)	61.4

From "A Review of the U.S. Wheat Situation," ORVILLE A. FREEMAN, *U.S. Secretary of Agriculture*

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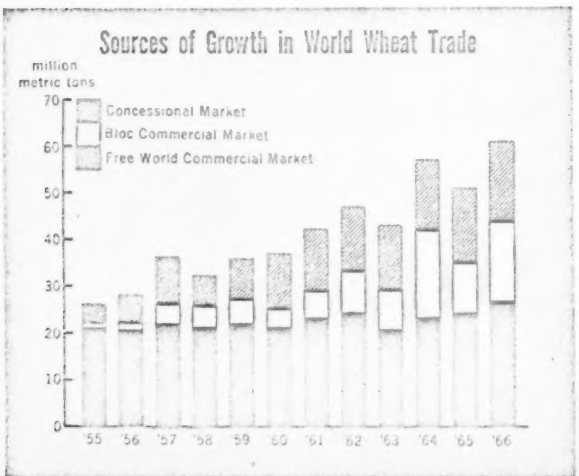

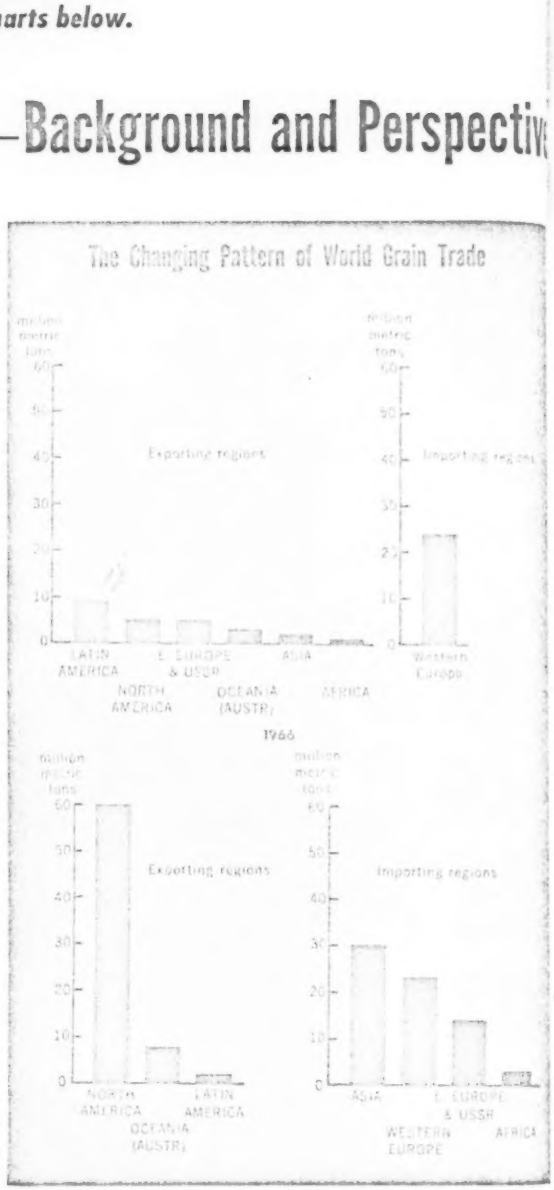

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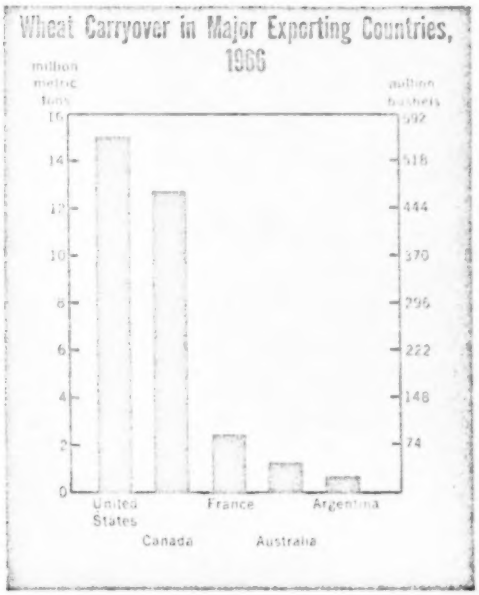

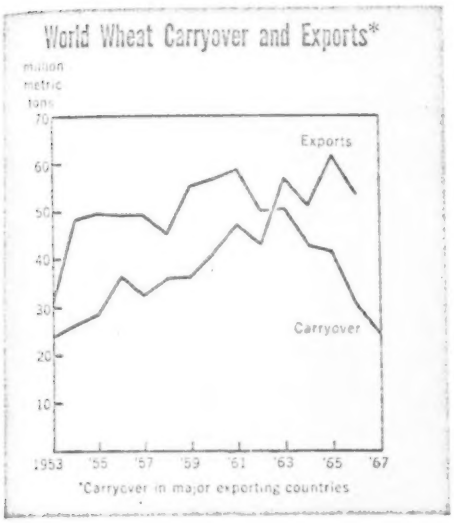

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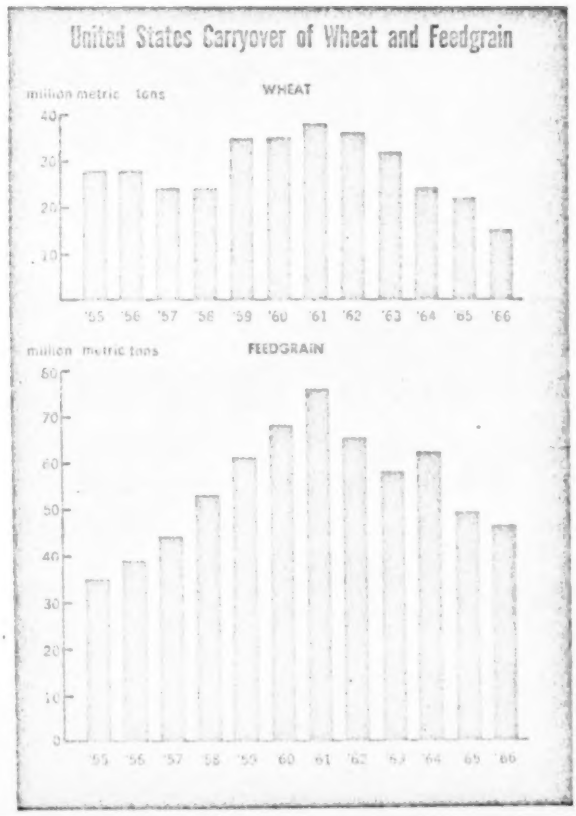

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1957	24.7	44.3	69.0
1958	24.0	53.5	77.5
1959	35.2	61.2	96.4
1960	35.8	68.6	104.4
1961	38.4	76.8	115.2
1962	36.0	65.1	101.1
1963	32.5	58.0	90.5
1964	24.5	62.3	86.8
1965	22.3	49.3	71.6
1966	15.1	(46.3)	61.4

From "A Review of the U.S. Wheat Situation," ORVILLE A. FREEMAN, *U.S. Secretary of Agriculture*

Exporting Turkeys: A Case Study in Selling Overseas

Earl B. Olson, ***President of Farmers Produce Co. of Willmar, Minn., points out progress and problems in selling frozen U.S. turkeys to foreign markets.***

Officials of the Farmers Produce Company are happy they jumped into the export market when they did. Although we have exported both chickens and turkeys, we are now dealing exclusively in the latter and have encountered a wide range of experiences—and problems—in shipping them overseas.

Back in the early fifties we were a fledgling company looking for new avenues of distribution for our frozen, oven-ready turkeys. Our first export market was Canada. Later in the decade we started shipping to the European market. Year by year our total export volume increased, reaching 6 million pounds in 1961 and 8 million in 1962.

Then, new Common Market regulations in mid-1962 dealt a severe blow to all poultry exporters. Turkey trade was temporarily stifled by an increase in the EEC import levy from about 5½ cents per pound to about 12 cents. In 1963 our export volume dropped to 4 million pounds and stayed at that level in 1964. Last year, largely because of high red-meat prices in Europe, it jumped back to 8 million, with the largest portion going to West Germany. The Institute of American Poultry Industries has been working with government officials in an effort to get some relief from the high EEC levies, but so far success has been minimal.

European market changing

A number of other changes have taken place in the European market since we first started selling there. Customers once wanted as many small turkeys—4 to 6 pounds—as possible to keep down unit cost and because of limited roasting facilities. But European customs are changing, and some countries are now taking bigger birds. Last year West Germany bought them up to 12 pounds, and this year buyers there are inquiring about 14-pound birds. Italy asks for 20- to 26-pound tom turkeys for use in hotels, restaurants, and institutions. For the most part, however, consumer-sized turkeys of 4 to 12 pounds have sold best.

Europe was, until recently, primarily a Christmas market for turkey, and all trade pointed toward that day. However, things changed a bit in 1965 when for the first time turkeys were featured for year-round use through promotion similar to that of U.S. chain stores.

Interest is now developing among foreign customers in further processed items—turkey roasts, rolls, parts like wings, drumsticks, thighs, necks, and giblets, and other specialty products. Also, West German consumers show a preference for dark meat, which is fine as white meat is popular here at home.

As a result, we plan to enter the prepared foods field this summer. One exporter is so enthused about specialty items, he has asked for our entire production.

Many European visitors coming to our plants have expressed interest in buying direct, but so far all our sales have been made through exporters.

Export problems more complex

In attempting to broaden our markets through overseas sales, we have run into many problems—problems more severe than those in domestic transactions because the customer is so much farther away.

Cartons take quite a beating; they are loaded out of our warehouse into trucks or railcars, transferred to ships, unloaded at destinations, and then probably put in cold-storage warehouses for later distribution. All cartons are strapped with flat wire to protect the product and prevent pilferage. But despite precautions in handling, we still get complaints from time to time.

Transportation schedules require perfect timing. Trucks and railcars carrying the product to ports must arrive neither early nor late. If ships are delayed and the product arrives, it must go to a cold-storage warehouse immediately, adding expenses. If it arrives late and the ship leaves, again it must be stored. Since ship space has to be reserved in advance, it has to be paid for whether filled or not.

Aside from scheduling, dock strikes, too, can cause delays. Once we had to store five carloads of turkeys when help refused to work at the pier. These storage costs simply add to transport expenses—about 2 cents per pound to New York and 2 to 3 cents from New York to Hamburg and Rotterdam.

Transportation likewise involves risks, such as pilferage, damage, or complete loss of shipment. Fortunately insurance coverage protects us.

Another problem in marketing overseas is refrigeration. Unfortunately, we are dealing in a product that must remain frozen until it reaches the consumer. Refrigeration is not always available in the market place, limiting complete distribution. For example, in Europe it is not uncommon to see poultry in open-air markets, heads and feet still attached.

Packaging regulations change

Packing and labeling specifications are of constant concern because they change from time to time. When we first started shipping to Canada, we were given bag approval by the Canadian Department of Agriculture, so we purchased a supply of Cryovac bags. Suddenly the labeling specifications were altered, and we were caught with an unusable inventory of shrinkable-film bags. Nothing to do but charge to export expense.

Last year Italy changed its specifications, demanding that turkeys be packed without necks and giblets in the body cavity and be shipped in wooden boxes. We were all set to ship two truckloads when the resident inspector informed us of the change. The product, which had been marked and strapped and was sitting on the dock ready for shipment, went back to the freezer. Fortunately, we were later able to ship it to Austria for transfer to Italy.

Proper markings on each carton take time, and every mistake is costly. Markings indicate who packed the product, location of plant, the shipper from New York or other port of departure, the consignee, and a coded description of the product. If the product is stored for later shipment, it has to be marked, strapped, and inspected at the warehouse—an expensive procedure that increases opportunities for confusion and error.

Communications, contract problems

Working directly with overseas accounts is expensive from a communications standpoint, too. With telephone calls costing $4 per minute, a 10-minute call costs ⅛ cent per pound of turkey, based on a 30,000-pound unit. This is quite prohibitive since we operate on a ¼-cent-per-pound margin and is one reason why we do our business through exporters.

Another problem arises from the industry practice of pre-selling turkeys 3 to 6 months before delivery. Yet it is extremely difficult to forecast production of the sizes and grades buyers want, prices 6 months hence, and exact delivery dates. I remember a time when we were trying desperately to buy turkeys from every packer in the country to fill orders.

The problems are numerous, but many organizations have been more than helpful in trying to solve them. When the Foreign Agricultural Service was reorganized in 1954 and its market development activities expanded, commodity marketing specialists traveled extensively abroad. They learned that U.S. poultry products were acceptable overseas, but decided a consumer education program was needed —one that could best be carried out by the U.S. poultry industry. The industry cooperates with FAS in market development activities through its International Trade Development Board.

Many countries cannot and never will be able to entirely supply their poultry-product needs as the world continues to demand more and better food and as population grows and people live longer. Consequently, the market for poultry from the United States should be an ever-increasing one.

Teams From UAR, Pakistan, and Iran Inspect U.S. Soybean Areas

Vegetable oil missions from the United Arab Republic and Pakistan arrived in the United States earlier this month, following closely on the heels of a similar mission from Iran.

Sponsored by the Soybean Council of America and FAS, the teams' tours cover production, processing, refining, handling, and storing of soybeans and soybean oil at major facilities in the East, South, and Midwest. Conferences with trade and government officials are also on the itineraries.

Chief purpose of the missions is to give the visitors a first-hand look at the top-quality products and services—in abundant supply and at reasonable cost—available from the U.S. soybean industry.

The UAR team—here through early August—is made up of three top industry officials who figure in major decisions on the country's oil imports, chiefly cottonseed and soybean oils from the United States. In the past, imports of U.S. oils have been under P.L. 480 programs. However, the UAR recently purchased about $1.35 million in U.S. soybean oil under the Commodity Credit Corporation's export credit sales program, with payment in dollars due in 1 year.

The mission from Pakistan consists of two oil technologists representing the Pakistan Vanaspati Manufacturing Association, an influential edible-oil organization. Accompanying them is the assistant editor of the Karachi *Morning News*, here to help make the Pakistani public aware of the advantages of U.S. soybean products. Short on edible oils, Pakistan recently signed a new P.L. 480 agreement with the United States calling for the importation of 20,000 tons, mainly soybean oil, under Title I.

The six-man team from Iran—a top dollar market for U.S. edible oils—completed its 21-day stay July 5. In view of recent moves toward self-sufficiency in oils in Iran (see *Foreign Agriculture*, June 13, 1966), this team of executives, whose companies are among Iran's chief customers for U.S. soybean oil, could vitally influence the future of vegetable oils from the United States in their country.

Uruguay Buys Purebred Angus Bulls From U.S. Breeder

Uruguay's first purchase of American Angus breeding cattle in 11 years —eight yearling bulls—was shipped out early this month, bought during the visit here of a two-man team from that country's Angus Association.

Anticipating further imports, the visitors expressed a desire to return in 2 years. Uruguay made its last purchase of purebred American Angus—one bull—in 1955 and received two as a gift in 1957.

Purchased from a ranch in South Dakota, the eight bulls are expected to be put into service in August or September. The buyers chose as many different blood lines as possible in order to continue use of the offspring without inbreeding.

Making the trip were Jorge Herran Puig, vice president of Uruguay's Angus Association and one of its inspectors, and José Jaso Anchorena, treasurer of the Association and an official of both the Ministry of Agriculture and the Rural Society, which registers all purebred livestock in the country. Arrangements for their visit were made by FAS in cooperation with the American Angus Association as part of a global-wide program to increase U.S. exports of breeding cattle.

Japan Continues Purchases Of Nonfat Milk for Schools

Again this year, as it has since 1950, the Japanese Government is buying U.S. nonfat dry milk from stocks of the Commodity Credit Corporation for use in its school lunch program.

The present contract calls for delivery of at least 20 million pounds during the school year 1966-67 at a price of 10 cents per pound, with an option for the CCC to provide up to 80 million pounds if supplies are available. Purchases are made by the Japan School Lunch Program Association, a Japanese Government agency.

Sales of U.S. nonfat dry milk for school lunch use have totaled nearly 967 million pounds since 1950. The Japanese have kept careful records on the height and weight of children participating in the program.

Since 1947, Japan's school lunch program has been providing a wheat roll and a cup of reconstituted nonfat dry milk every day for each child participating. The record maintained for height and weight of these children show that the average Japanese schoolgirl of 12 in the sixth grade today is more than 3 inches taller and nearly 10 pounds heavier than her counterpart in 1951.

Prospects Seen for Record World Wheat Production This Year

On the basis of present indications, a record world wheat crop is in the making. The prospective world crop is forecast at 9.4 billion bushels, compared with a near record in 1965 of 9 billion bushels and the previous record in 1964 of 9.3 billion bushels. This forecast, however, covers prospects not only in countries where harvest already has begun, but also in Southern Hemisphere areas where planting is just being completed.

Prospects for record production in Canada overshadow the recent forecast of a U.S. wheat crop only slightly above average.

Australia has seeded more than 20 million acres to wheat —2 million above the previous record.

Argentina's wheat acreage is estimated at over 16 million acres—20 percent above 1965 and the largest since 1950.

USSR output up; Communist China down

The wheat outlook in the Soviet Union has been described as "good." Production is expected to be substantially above the 1965 crop of 1.7 billion bushels, and could well approach the 1964 outturn of 2.1 billion.

Communist China is an exception to the generally favorable wheat situation in major producing areas. Production this year will be even smaller than last year's poor crop. The drought that began in the winter of 1964-65 still persists in the northern part of the winter wheat belt.

Reports indicate that Canada's crop could well total 750 million bushels—some 25 million above the previous record set in 1963. Canadian farmers seeded a record 30 million acres. The crop, now heading, has made favorable progress throughout wide areas of the Prairie Provinces as a result of warm weather and adequate moisture.

Australia's wheat acreage is at a record or near-record level in all States, with most of the increase in New South Wales and Western Australia. Crops are off to a good start, but in areas affected by drought last year adequate follow-up rains will be needed to assure satisfactory yields.

The Argentine Government encouraged growers to seed a large acreage this year because of short carryover supplies. Timely rains have improved prospects.

The Soviet Union, despite the fact that it is buying about 150 million bushels of wheat this year, mainly from Canada, is expected to harvest a crop in excess of 2 billion bushels. Production in the relatively small winter wheat area was good. Weather data, observers' reports, and press dispatches indicate that propects also are favorable for the 120 million acres seeded to spring wheat.

European production may near record

Western Europe's harvest may approach the record outturn of 1965. France's wheat acreage was down 11 percent but weather has favored high yields. West Germany's crop will be good.

Prospects in Eastern Europe outside the Soviet Union also are good.

Turkey is expected to harvest a record crop this year, and production will be large in Iran. Gains in these countries will more than offset reduced output in some other Eastern Mediterranean and North African countries.

India's wheat crop, harvested early this year, was good. (The shortfall in India's foodgrain production was mainly in other crops, such as rice, sorghums, and millets.) Pakistan's wheat harvest was a good average crop. Japan's crop will be below normal, owing to reductions in both acreage and yields.

Brazilian Corn Exporters Agree on Pool

Corn exporters from the port of Santos, Brazil, have come to an agreement for pooling their product during the 1966 season. The agreement, prepared by the National Association of Cereals Exporters and approved by all government agencies concerned, is designed to secure the benefit of a reduction in port utilization taxes, to coordinate and accelerate shipments, to avoid congestion of handling facilities, and to reduce operational expenses.

According to the pooling agreement, corn exports will be handled by the Brazilian Storage Corporation—which is operating three terminals at Santos—and supervised by the Executive Group for Crop Movement. Both are federal government agencies.

During the 1965 season, the exporters tried to reach an agreement on a pooling arrangement, but without success. Reportedly most of the exporting firms had substantial losses as a result of congestion at railroads, port facilities, and warehouses. It has also been reported that at the end of the season the Brazilian Government, through a federal agency, made some large exports. The resulting good profits were distributed through the exporters' association to the dealers to compensate for losses.

France Exports More Dried Milk

France's exports of dried milk during 1965 rose to 185 million pounds from 116 million in 1964. Italy, the largest purchaser, took 61 million compared with 13 million in 1964. Sales to other EEC countries totaled approximately 34 million in both years. Shipments to Switzerland rose to 24 million from 11 million. Hungary's and Spain's purchases of 18 million each exceeded those of a year ago by 13 million. Exports to the United Kingdom declined from 16 million to 3 million. No sales were made to the USSR, which in 1964 took 3 million.

Condensed milk exports were up 16 percent to 108 million pounds. Shipments to Algeria, the most important market, were 29 million, 6 million more than a year earlier. Trade with Greece rose from 16 million to 24 million. Among other countries taking larger quantities of French condensed milk in 1965 were Burma, Thailand, the Ivory Coast, and Senegal.

Exports of evaporated milk—42 million pounds—were down 6 percent. Western Germany's purchases were 14 million in both years. Algeria's were up slightly to 11 million. Shipments to Italy were down to less than 1 million from 4 million in 1964.

Fishmeal Production and Exports by FEO

Production of fishmeal by the six member countries of the Fishmeal Exporters' Organization (FEO) in January-April 1966 increased by 23 percent from the comparable 4 months of 1965. However, exports lagged behind those of the January-April 1965 period by 19 percent.

During the January-April 1966 period aggregate production exceeded exports by 382,000 tons compared with only 84,000 tons in the like period of 1965.

PRODUCTION AND EXPORTS OF FISHMEAL BY FEO COUNTRIES

Country	Production		Exports	
	1965 [1]	1966 [1]	1965 [1]	1966 [1]
	1000 metric tons	*1000 metric tons*	*1000 metric tons*	*1000 metric tons*
Angola	[2] 13.3	[2] 13.5	[2] 16.3	[2] 11.7
Chile	37.5	88.1	40.7	66.8
Iceland	27.2	37.7	32.1	47.6
Norway	79.2	123.4	59.9	76.5
Peru	658.2	789.3	627.9	519.3
South Africa	111.9	89.0	66.4	37.1
Total	927.3	1,141.0	843.3	759.0

[1] January-April. [2] Does not include data for April. Fishmeal Exporters' Organization, Paris.

Turkey's Cigarette Output Sets New High

Cigarette output by the Turkish Tobacco Monopoly during fiscal 1965 (March-February) set a new high of 71.1 million pounds, an increase of 8.5 percent over the 65.5 million produced in fiscal 1964. Combined production of the other products dropped to 7.2 million pounds from 7.6 million for the previous fiscal year.

Cigarette sales rose to 70.2 million pounds from 67.1 million for fiscal 1964. However, sales of all other products continued downward and amounted to 7.4 million.

Yugoslavian Tobacco Products Up

Output of tobacco products in Yugoslavia during 1965 totaled 58.2 million pounds—up 10.3 percent from the 52.8 million produced in 1964.

Cigarette output, which accounts for about 99.7 percent of Yugoslavia's total tobacco production, was about 58.1 million pounds in 1965, compared with 52.6 million in 1964 and 51.2 million in 1963. Production of other tobacco products shows a downward trend and probably amounted to about 154,000 pounds last year, compared with 158,000 in 1964, and the 1955-59 annual average of 555,000 pounds.

Angola's Cigarette Output Rises

Cigarette output in Angola continued to rise through 1965. Production last year totaled 3.7 million pounds, compared with 3.4 million in 1964 and 3.0 million in 1963.

Production of cut tobacco last year amounted to 55,100 pounds, compared with 57,300 pounds in each of the years 1963 and 1964.

Cotton Consumption Lower in Importing Countries

The foreign Free World cotton importing countries listed in the accompanying table consumed about 6 percent less cotton in the specified periods of the 1965-66 season than in the same months a year earlier. Consumption was higher in Canada, France, and Portugal, while Belgium, Denmark India, Japan, and the United Kingdom registered moderate declines. Total consumption in the full 1964-65 season (August-July) for the countries below was 16,057,000 bales. These countries together will likely consume about 5 percent less cotton this season than a year ago.

Currently, many Western European mills are scheduling annual mill holidays. Demand for raw cotton is consequently at a low point and centered mainly on cotton for delivery in the fall.

COTTON IMPORTS AND CONSUMPTION IN PRINCIPAL FOREIGN FREE WORLD IMPORTING COUNTRIES

[Bales of 480 lb. net]

Country	Reporting period	Imports		Consumption	
		1964-1965	1965-1966 [1]	1964-1965	1965-1966 [1]
		1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	Aug-Jan.	60	55	61	60
Belgium	Aug-Dec.	175	142	168	145
Canada	Aug-Dec.	125	185	193	209
Denmark	Aug-Apr.	35	20	34	24
Finland	Aug-Apr.	59	70	61	57
France	Aug-May	951	1,039	1,013	1,024
Germany, West	Aug-Apr.	1,006	953	997	982
Hong Kong	Aug-Mar.	334	400	414	414
India	Aug-Mar.	482	291	3,689	3,258
Italy	Aug-Jan.	435	414	448	441
Japan	Aug-Apr.	2,599	2,281	2,573	2,362
Netherlands	Aug-Feb.	179	180	214	200
Portugal	Aug-Mar.	325	262	233	251
Sweden	Aug-Mar.	51	64	69	66
Switzerland	Aug-Mar.	148	132	134	125
United Kingdom	Aug-Apr.	742	711	810	770
Total		7,706	7,199	11,111	10,388

[1] Preliminary and partly estimated.

Argentine Honey Production Declines

The honey forecast for 1966-67, at 15,000 metric tons, shows a sharp decline from 35,000 produced in 1965-66. The forecast crop—smaller because of adverse weather—will just equal the yearly domestic consumption.

In view of this, Argentina will have practically no honey for the export market in 1966-67.

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Highlights of the Agriculture and Trade of Hungary

Resources:—Hungary covers an area of approximately 35,900 square miles, about the size of Indiana. Total population on January 1, 1966, reached 10,160,000. The active labor force is estimated at 4,700,000, of which 35 percent are engaged in agriculture.

Agriculture:—Agricultural output in Hungary has increased little since 1957-59. According to the USDA index the level of output in 1965 was only 6 percent above that of 1957-59 and only 2 percent above the level of 1960. Only East Germany and Czechoslovakia show a slower rate of growth. This poor performance has brought about, as has been the case in other Eastern European countries, some significant changes in agricultural policy designed to increase production.

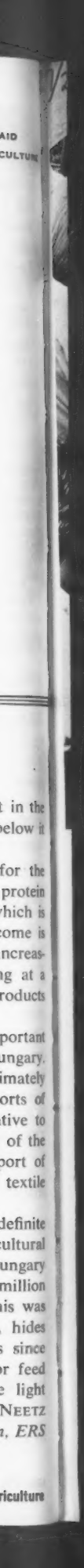
Because of the low rate of population increase, the per capita output of agriculture has also remained relatively stable. Crops constitute about 54 percent of the total net output and livestock and livestock products 46 percent. The socialized area covers 97 percent of all land resources, 14.3 percent being held by state farms, 80 percent by collective farms, and 3 percent by institutions. Wheat and corn are grown on 46 percent of the arable land. Sunflowerseed, sugarbeets, and potatoes are the major industrial crops.

Inputs:—In 1965 Hungarian agriculture received 7,250 new tractors, raising the total number to 59,000 compared to 32,000 in 1959 and about 13,000 in 1950. Deliveries of fertilizer increased about 4 percent, bringing the rate of application to 60 pounds of plant nutrients per acre of arable land, the third highest application rate in Eastern Europe. Capital investment in Hungarian agriculture has accounted for about 20 percent of total investment in the past 3 years. It was at this level in 1960, but fell below it in 1961 and 1962.

Food Situation:—Average daily caloric intake for the 1964-65 period has been estimated at 3,063. The protein intake per day is about 3 ounces, 40 percent of which is animal protein. About 40 percent of consumer income is spent on food and beverages. Meat consumption is increasing slowly; however, beef consumption is increasing at a faster rate than total meat. Consumption of milled products and potatoes is declining.

Foreign Trade:—Agricultural trade plays an important role in the economic development program of Hungary. Exports of agricultural products account for approximately 22 percent of the total value of all exports. Imports of agricultural products, however, are increasing relative to the early postwar period. Approximately 10 percent of the total value of imports is accounted for by the import of food products and by raw materials used by the textile and leather industries.

Agricultural Trade With the United States:—A definite upward trend in the total volume and value of agricultural imports from the United States has been noted in Hungary since 1961. Hungary purchased approximately $0.5 million worth of agricultural products in 1961. In 1964 this was increased to $12.8 million. Soybean oil and cake, hides and skins, and grain have been the major imports since 1963. The long-term outlook is more favorable for feed concentrates and agricultural raw material for the light industry than it is for foodgrains. —ROGER E. NEETZ

Foreign Regional Analysis Division, ERS

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